# **AUDITING PROCEDURES REPORT** Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

| Local Government Type  City Township Village                                                                                                                                                                       |                                                                                                                                                                                                  | ILLAGE OF                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                | County<br>TUSCO LA                                                                    |  |  |  |  |  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|---------------------------------------------------------------------------------------|--|--|--|--|--|
| Audit Date 3-31-04 Opinio                                                                                                                                                                                          | n Date<br>6-2-04                                                                                                                                                                                 | Date Accountant Report                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Submitted to State:                                            |                                                                                       |  |  |  |  |  |
| We have audited the financial staprepared in accordance with the Reporting Format for Financial Department of Treasury.  We affirm that:                                                                           | Statements of the Gov<br>Statements for Countie                                                                                                                                                  | ernmental Accountir<br>s and Local Units                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | ng Standa <b>मिः Eoo</b><br>of Governमिन्साः <b>ibi</b><br>JUL | The Book the Uniform the Michigan 2 9 2004                                            |  |  |  |  |  |
| We have complied with the Bulletin for the Audits of Local Units of Government in Michigan as revised.      UCAL AUDIT & FINANCE DIV.      We are certified public accountants registered to practice in Michigan. |                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                |                                                                                       |  |  |  |  |  |
| We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in                                                                                       |                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                |                                                                                       |  |  |  |  |  |
| the report of comments and recor                                                                                                                                                                                   |                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                |                                                                                       |  |  |  |  |  |
| You must check the applicable bo                                                                                                                                                                                   |                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                |                                                                                       |  |  |  |  |  |
|                                                                                                                                                                                                                    | -                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                | n the financial statements.                                                           |  |  |  |  |  |
| yes no 2. There are earnings (P                                                                                                                                                                                    | accumulated deficits in A. 275 of 1980).                                                                                                                                                         | one or more of the ewent of the | nis unit's unreserv                                            | ed fund balances/retained                                                             |  |  |  |  |  |
| yes no 3. There are 1968, as ar                                                                                                                                                                                    |                                                                                                                                                                                                  | ance with the Unifo                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | rm Accounting and                                              | d Budgeting Act (P.A. 2 c                                                             |  |  |  |  |  |
|                                                                                                                                                                                                                    | yes no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Actor or its requirements, or an order issued under the Emergency Municipal Loan Act. |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                |                                                                                       |  |  |  |  |  |
|                                                                                                                                                                                                                    | nit holds deposits/invest<br>amended [MCL 129.91]                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                | tory requirements. (P.A. 20<br>. 38.1132]).                                           |  |  |  |  |  |
| yes no 6. The local u<br>unit.                                                                                                                                                                                     | nit has been delinquent                                                                                                                                                                          | in distributing tax re                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | venues that were o                                             | collected for another taxing                                                          |  |  |  |  |  |
| earned pen                                                                                                                                                                                                         | sion benefits (normal co<br>ding credits are more tl                                                                                                                                             | sts) in the current ye                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | ear. If the plan is m                                          | on 24) to fund current yea<br>ore than 100% funded and<br>contributions are due (paid |  |  |  |  |  |
| yes no 8. The local u<br>1995 (MCL                                                                                                                                                                                 |                                                                                                                                                                                                  | d has not adopted ar                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | n applicable policy                                            | as required by P.A. 266 o                                                             |  |  |  |  |  |
| yes no 9. The local ur                                                                                                                                                                                             | nit has not adopted an in                                                                                                                                                                        | vestment policy as r                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | required by P.A. 19                                            | 6 of 1997 (MCL 129.95).                                                               |  |  |  |  |  |
| We have enclosed the follow                                                                                                                                                                                        | ing:                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Enclosed F                                                     | To Be Not orwarded Required                                                           |  |  |  |  |  |
| The letter of comments and recom                                                                                                                                                                                   | mendations.                                                                                                                                                                                      | 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                | - Narasa - Naqanoa                                                                    |  |  |  |  |  |
| Reports on individual federal finar                                                                                                                                                                                | icial assistance program                                                                                                                                                                         | s (program audits).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                |                                                                                       |  |  |  |  |  |
| Single Audit Reports (ASLGU).                                                                                                                                                                                      |                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                |                                                                                       |  |  |  |  |  |
| Certified Public Accountant (Firm Nar                                                                                                                                                                              | ne) BERTHIAU.                                                                                                                                                                                    | ME & COM                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | PANY CPA                                                       | - 5                                                                                   |  |  |  |  |  |
| Certified Public Accountant (Firm Name Street Address 60 HARK                                                                                                                                                      | LOW LANE                                                                                                                                                                                         | City SAG                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | NAW State                                                      | iem/ ZIP48603                                                                         |  |  |  |  |  |
| Accountant Signature                                                                                                                                                                                               | LOW LANE                                                                                                                                                                                         | whim                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                |                                                                                       |  |  |  |  |  |

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60 Harrow Lane Saginaw, Michigan 48603

(989) 791-1555 Fax (989) 791-1992

## INDEPENDENT AUDITORS' REPORT

Village Council Village of Reese Reese, Michigan

We have audited the accompanying general purpose financial statements of the Village of Reese, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Reese's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Reese at March 31, 2004, and the results of its operations and changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplemental financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Village of Reese. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Saginaw, Michigan

Berthiaume & Co.

June 2, 2004

# GENERAL PURPOSE FINANCIAL STATEMENTS

## ALL FUND TYPES AND ACCOUNT GROUPS

# **COMBINED BALANCE SHEET**

March 31, 2004

|                                                                                                                                                                       | GOVERNMENTAL<br>FUND TYPES |                                                      |    |                                        |    | / FIDUCIARY<br><u>FUND TYPES</u>       |    |                        |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|------------------------------------------------------|----|----------------------------------------|----|----------------------------------------|----|------------------------|
|                                                                                                                                                                       | General                    |                                                      |    | Special<br>Revenue                     |    | Enterprise                             |    | Trust and<br>Agency    |
| ASSETS: Cash and equivalents                                                                                                                                          | \$                         | 410,803                                              | \$ | 250,053                                | \$ | 109,342                                | \$ | -                      |
| Investments Taxes receivable Accounts receivable Special assessments receivable                                                                                       | ·                          | 8,302<br>21,051<br>1,661                             |    | 1,579                                  |    | 15,295                                 |    | 144,360<br>-<br>-<br>- |
| Due from other governmental units Due from other funds Property, plant, and equipment, net Amount to be provided for retirement of long-term debt                     |                            | 2,943                                                |    | 20,940<br>2,784<br>-                   |    | 5,293<br>624,152                       |    | -<br>-<br>-            |
| Total assets                                                                                                                                                          | \$                         | 444,760                                              | \$ | 275,356                                | \$ | 754,082                                | \$ | 144,360                |
| LIABILITIES AND FUND EQUITY:                                                                                                                                          |                            |                                                      |    |                                        |    |                                        |    |                        |
| Liabilities: Accounts payable Accrued expense Due to other governmental units Due to other funds General obligation bonds payable Contracts payable Total liabilities | \$                         | 4,907<br>2,064<br>6,333<br>5,293<br>-<br>-<br>18,597 | \$ | 2,552<br>-<br>3,774<br>-<br>-<br>6,326 | \$ | 1,355<br>-<br>1,953<br>-<br>-<br>3,308 | \$ | -                      |
| Fund Equity: Contributed capital Investment in general fixed assets Retained Earnings: Unreserved – Undesignated                                                      | -                          | -                                                    |    | -                                      |    | 965,320<br>-<br>(214,546)              |    |                        |
| Fund Balances: Reserved Unreserved – Undesignated Unreserved – Designated                                                                                             |                            | 426,163                                              |    | 259,791<br>9,239                       |    | -<br>-<br>-                            |    | 144,360<br>-<br>-      |
| Total fund equity                                                                                                                                                     |                            | 426,163                                              |    | 269,030                                |    | 750,774                                |    | 144,360                |
| Total liabilities & fund equity                                                                                                                                       | \$                         | 444,760                                              | \$ | 275,356                                | \$ | 754,082                                | \$ | 144,360                |

| _  | ACCOUN                |    |                                  |    |                                                        |
|----|-----------------------|----|----------------------------------|----|--------------------------------------------------------|
|    | General               |    | General                          |    | Totals                                                 |
|    | Fixed                 | L  | ong-Term                         | (N | <mark>l</mark> emorandum                               |
|    | Assets                |    | Debt                             |    | Only)                                                  |
|    |                       |    |                                  |    |                                                        |
| \$ | -                     | \$ | -                                | \$ | 770,198                                                |
|    | -                     |    | -                                |    | 144,360                                                |
|    | -                     |    | -                                |    | 9,881                                                  |
|    | -                     |    | -                                |    | 36,346                                                 |
|    | -                     |    | -                                |    | 1,661                                                  |
|    | -                     |    | -                                |    | 20,940                                                 |
|    | -                     |    | -                                |    | 11,020                                                 |
|    | 1,952,978             |    | -                                |    | 2,577,130                                              |
|    | <del>-</del>          |    | 211,322                          |    | 211,322                                                |
| \$ | 1,952,978             | \$ | 211,322                          | \$ | 3,782,858                                              |
| \$ | -<br>-<br>-<br>-<br>- | \$ | -<br>-<br>-<br>140,000<br>71,322 | \$ | 8,814<br>2,064<br>6,333<br>11,020<br>140,000<br>71,322 |
|    |                       |    | 211,322                          |    | 239,553                                                |
|    | 1,952,978             |    | -                                |    | 965,320<br>1,952,978                                   |
|    | -                     |    | -                                |    | (214,546)                                              |
|    | -                     |    | -                                |    | 144,360                                                |
|    | -                     |    | -                                |    | 685,954                                                |
|    | -                     |    |                                  |    | 9,239                                                  |
|    | 1,952,978             |    | -                                |    | 3,543,305                                              |
| \$ | 1,952,978             | \$ | 211,322                          | \$ | 3,782,858                                              |

#### ALL GOVERNMENTAL FUND TYPES

# COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended March 31, 2004

|                                                     | •           | General           | <br>Special<br>Revenue | (Men | Totals<br>norandum<br>Only) |
|-----------------------------------------------------|-------------|-------------------|------------------------|------|-----------------------------|
| REVENUES:                                           |             |                   |                        |      |                             |
| Property taxes                                      | \$          | 225,752           | \$<br>43,942           | \$   | 269,694                     |
| Intergovernmental:                                  |             | 151 224           | 111 464                |      | 262.700                     |
| State grants Contributions from local units         |             | 151,334           | 111,464<br>63,862      |      | 262,798<br>63,862           |
| Charges for services                                |             | 123,918           | 13,800                 |      | 137,718                     |
| Fines and forfeitures                               |             | 406               | -                      |      | 406                         |
| Interest and rentals                                |             | 46,783            | 1,489                  |      | 48,272                      |
| Other revenue                                       |             | 11,767            | 2,867                  |      | 14,634                      |
| Total revenues                                      |             | 559,960           | <br>237,424            |      | 797,384                     |
| EXPENDITURES:                                       |             |                   |                        |      |                             |
| General government                                  |             | 140,719           | _                      |      | 140,719                     |
| Public safety                                       |             | 123,952           | 47,977                 |      | 171,929                     |
| Public works                                        |             | 189,543           | 114,635                |      | 304,178                     |
| Community and economic development                  |             | 5,210             | -                      |      | 5,210                       |
| Recreation and culture                              |             | 9,148             | 24,369                 |      | 33,517                      |
| Other                                               |             | 2,476             |                        |      | 2,476                       |
| Capital outlay                                      |             | 1,065             | 5,405                  |      | 6,470                       |
| Debt Service:                                       |             | 16,498            | 15,608                 |      | 32,106                      |
| Principal Interest                                  |             | 8,987             | 3,453                  |      | 12,440                      |
| Total expenditures                                  | <del></del> | 497,598           | 211,447                |      | 709,045                     |
| Excess of revenues over (under) expenditures        |             | 62,362            | <br>25,977             |      | 88,339                      |
|                                                     |             |                   | <br>                   |      |                             |
| OTHER FINANCING SOURCES (USES):                     |             |                   |                        |      |                             |
| Transfers from other funds Transfers to other funds |             | 4,328<br>(27,500) | 42,228<br>(19,056)     |      | 46,556<br>(46,556)          |
| Total other financing sources (uses)                |             | (23,172)          | 23,172                 |      | <u> </u>                    |
| Excess of revenues and other financing sources over |             |                   |                        |      |                             |
| (under) expenditures and other financing uses       |             | 39,190            | 49,149                 |      | 88,339                      |
| Fund balances, beginning of year                    |             | 386,973           | 219,881                |      | 606,854                     |
| Fund balances, end of year                          | \$          | 426,163           | \$<br>269,030          | \$   | 695,193                     |

### GENERAL AND SPECIAL REVENUE FUNDS

# COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET & ACTUAL

For the Year Ended March 31, 2004

|                                                                                                   | _  | GENERAL FUNDS |    |              |    |                                     | SPECIAL REVENUE FUNDS |                  |    |                   |          |                                     |
|---------------------------------------------------------------------------------------------------|----|---------------|----|--------------|----|-------------------------------------|-----------------------|------------------|----|-------------------|----------|-------------------------------------|
|                                                                                                   |    | Budget        |    | Actual       |    | Variance<br>Favorable<br>(Unfavorab | 2                     | Rudvet           |    | Actual            |          | Variance<br>Favorable<br>favorable) |
| REVENUES:                                                                                         |    |               |    |              |    | (                                   |                       | 200800           |    | 1101441           | <u> </u> | ,410,40.0)                          |
| Property taxes Intergovernmental:                                                                 | \$ | 213,414       | \$ | 225,752      | \$ | 12,338                              | \$                    | 60,154           | \$ | 43,942            | . \$     | (16,212)                            |
| State grants Contributions from local units                                                       |    | 158,510       |    | 151,334<br>- |    | (7,176)<br>-                        |                       | 96,975<br>62,717 |    | 111,464<br>63,862 |          | 14,489<br>1,145                     |
| Charges for services                                                                              |    | 100,444       |    | 123,918      |    | 23,474                              |                       | 13,800           |    | 13,800            |          | -                                   |
| Fines and forfeitures                                                                             |    | 1,000         |    | 406          |    | (594)                               |                       | -                |    | -                 |          | -                                   |
| Interest and rentals                                                                              |    | 36,506        |    | 46,783       |    | 10,277                              |                       | 8,400            |    | 1,489             |          | (6,911)                             |
| Other revenue                                                                                     |    | 46,240        |    | 11,767       |    | (34,473)                            |                       | 151,000          |    | 2,867             |          | (148,133)                           |
| Total revenues                                                                                    |    | 556,114       |    | 559,960      |    | 3,846                               |                       | 393,046          |    | 237,424           |          | (155,622)                           |
| EXPENDITURES:                                                                                     |    |               |    |              |    |                                     |                       |                  |    |                   |          |                                     |
| General government                                                                                |    | 146,181       |    | 140,719      |    | 5,462                               |                       | _                |    | _                 |          | _                                   |
| Public safety                                                                                     |    | 124,117       |    | 123,952      |    | 165                                 |                       | 69,960           |    | 47,977            |          | 21,983                              |
| Public works                                                                                      |    | 210,600       |    | 189,543      |    | 21,057                              |                       | 131,949          |    | 114,635           |          | 17,314                              |
| Community and economic development                                                                |    | 6,161         |    | 5,210        |    | 951                                 |                       | -                |    | -                 |          |                                     |
| Recreation and culture                                                                            |    | 14,657        |    | 9,148        |    | 5,509                               |                       | 24,560           |    | 24,369            |          | 191                                 |
| Other                                                                                             |    | 2,700         |    | 2,476        |    | 224                                 |                       | -                |    | -                 |          | _                                   |
| Capital outlay Debt Service:                                                                      |    | 1,065         |    | 1,065        |    | -                                   |                       | 5,850            |    | 5,405             |          | 445                                 |
| Principal                                                                                         |    | 16,498        |    | 16,498       |    | _                                   |                       | 15,947           |    | 15,608            |          | 339                                 |
| Interest                                                                                          |    | 9,519         |    | 8,987        |    | 532                                 |                       | 3,453            |    | 3,453             |          | -                                   |
| Total expenditures                                                                                |    | 531,498       |    | 497,598      |    | 33,900                              |                       | 251,719          |    | 211,447           |          | 40,272                              |
| Excess of revenues over (under) expenditures                                                      |    | 24,615        |    | 62,362       |    | 37,747                              |                       | 141,327          |    | 25,977            |          | (115,350)                           |
| OTHER FINANCING SOURCES (USES):                                                                   |    |               |    |              |    |                                     |                       |                  |    |                   |          |                                     |
| Transfers from other funds                                                                        |    | _             |    | 4,328        |    | 4,328                               |                       | 46,600           |    | 42,228            |          | (4,372)                             |
| Transfers to other funds                                                                          |    | (98,000)      |    | (27,500)     |    | 70,500                              |                       | (19,500)         |    | (19,056)          |          | 444                                 |
| Total other financing sources (uses)                                                              |    | (98,000)      |    | (23,172)     |    | 74,828                              |                       | 27,100           |    | 23,172            |          | (3,928)                             |
| Excess of revenues and other financing sources over (under) expenditures and other financing uses |    | (73,385)      |    | 39,190       |    | 112,575                             |                       | 168,427          |    | 49,149            |          | (119,278)                           |
| Fund balances, beginning of year                                                                  |    | 386,973       |    | 386,973      |    | -                                   |                       | 219,881          |    | 219,881           |          | , ,                                 |
|                                                                                                   | _  |               |    | <del></del>  |    |                                     |                       | <del></del>      |    |                   |          | -                                   |
| Fund balances, end of year                                                                        | \$ | 313,588       | \$ | 426,163      | \$ | 112,575                             | \$                    | 388,308          | \$ | 269,030           | \$       | (119,278)                           |

The accompanying notes are an integral part of the financial statements.

# PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS

# COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS/FUND BALANCE

For the Year Ended March 31, 2004

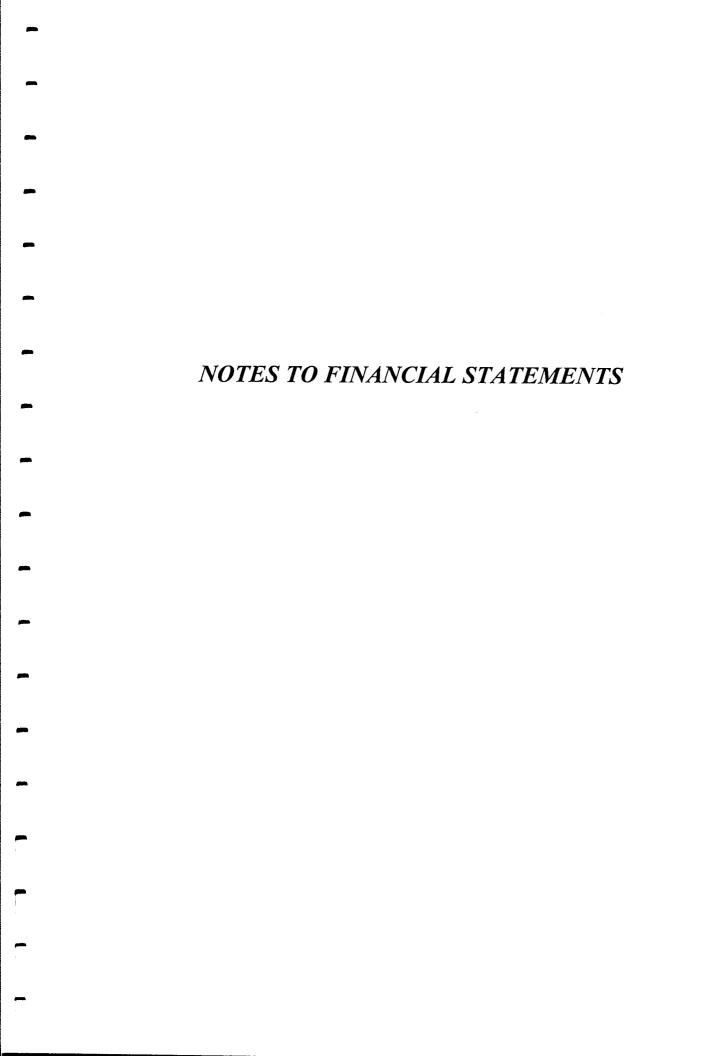
|                                                   | <u>F</u> | OPRIETARY<br><u>UND TYPES</u><br>Enterprise<br>Fund | IDUCIARY<br><u>IND TYPES</u><br>Pension<br>Trust | (Mei | Totals<br>norandum<br>Only) |
|---------------------------------------------------|----------|-----------------------------------------------------|--------------------------------------------------|------|-----------------------------|
| OPERATING REVENUES: Contribution from employer    | \$       | -                                                   | 37,441                                           |      | 37,441                      |
| Charges for services                              |          | 81,789                                              | -                                                |      | 81,789                      |
| Investment revenue (loss)                         |          | *                                                   | <br>8,227                                        |      | 8,227                       |
| Total operating revenues                          |          | 81,789                                              | <br>45,668                                       |      | 127,457                     |
| OPERATING EXPENSES:                               |          |                                                     |                                                  |      |                             |
| Personnel                                         |          | 15,583                                              | -                                                |      | 15,583                      |
| Fringe benefits                                   |          | 6,401                                               | -                                                |      | 6,401                       |
| Supplies                                          |          | 10,230                                              | -                                                |      | 10,230                      |
| Contracted and professional services              |          | 15,323                                              | -                                                |      | 15,323                      |
| Administrative expense                            |          | 7,800                                               | -                                                |      | 7,800                       |
| Printing and publications                         |          | 66                                                  | -                                                |      | 66                          |
| Repair and maintenance                            |          | 3,543                                               | -                                                |      | 3,543                       |
| Insurance                                         |          | 7,183                                               | -                                                |      | 7,183                       |
| Utilities                                         |          | 2,340                                               | -                                                |      | 2,340                       |
| Equipment rental                                  |          | 10,278                                              | -                                                |      | 10,278                      |
| Other expenses                                    |          | 1,618                                               | -                                                |      | 1,618                       |
| Depreciation                                      |          | 29,609                                              | <br>-                                            |      | 29,609                      |
| Total operating expenses                          |          | 109,974                                             | -                                                |      | 109,974                     |
| Operating income (loss)                           |          | (28,185)                                            | <br>45,668                                       |      | 17,483                      |
| NON-OPERATING REVENUES (EXPENSES):                |          |                                                     |                                                  |      |                             |
| Interest income                                   |          | 675                                                 | -                                                |      | 675                         |
| Rental income                                     |          | 8,924                                               | -                                                |      | 8,924                       |
| Other revenue                                     |          | 786                                                 | -                                                |      | 786                         |
| Total non-operating revenues (expenses)           |          | 10,385                                              | <br>-                                            |      | 10,385                      |
| Net income (loss)                                 |          | (17,800)                                            | 45,668                                           |      | 27,868                      |
| Retained earnings/Fund balance, beginning of year |          | (196,746)                                           | <br>98,692                                       |      | 98,054                      |
| Retained earnings/Fund balance, end of year       | \$       | (214,546)                                           | \$<br>144,360                                    | \$   | (70,186)                    |

# ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS

# COMBINED STATEMENT OF CASH FLOWS

For the Year Ended March 31, 2004

|                                                                                                                                                      | $\underline{F}$ | OPRIETARY<br><u>UND TYPES</u><br>Enterprise<br>Fund | FIDUCIARY<br>FUND TYPES<br>Pension<br>Trust |          | (Mer | Totals<br>norandum<br>Only) |
|------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------------------------------------------|---------------------------------------------|----------|------|-----------------------------|
| OPERATING INCOME (LOSS):                                                                                                                             | <u>\$</u> _     | (28,185)                                            | \$_                                         | 45,668   | \$   | 17,483                      |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: Depreciation (Increase) decrease in assets: |                 | 29,609                                              |                                             | -        |      | 29,609                      |
| Receivables Due from other funds Increase (decrease) in liabilities:                                                                                 |                 | (6,783)<br>(4,829)                                  |                                             | -        |      | (6,783)<br>(4,829)          |
| Due to other funds Accounts payable                                                                                                                  |                 | (8,663)<br>1,355                                    |                                             | -        |      | (6,663)<br>1,355            |
| Total adjustments                                                                                                                                    |                 | 10,689                                              |                                             | -        |      | 10,689                      |
| Net cash provided by (used for) operating activities                                                                                                 |                 | (17,496)                                            |                                             | 45,668   |      | 28,172                      |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:                                                                                            |                 |                                                     |                                             |          |      |                             |
| Rental income Other income (Purchase)/sale of fixed assets                                                                                           |                 | 8,924<br>786<br>(585)                               |                                             | -<br>-   |      | 8,924<br>786<br>(585)       |
| Net cash (used) for capital and related financing activities                                                                                         |                 | 9,125                                               |                                             | -        |      | 9,125                       |
| CASH FLOWS FROM INVESTING ACTIVITIES:                                                                                                                |                 |                                                     |                                             |          |      |                             |
| Interest received on investments, gain (loss) (Purchase)/sale of investments                                                                         |                 | 675<br>-                                            |                                             | (45,668) |      | 675<br>(45,668)             |
| Net increase (decrease) in cash and equivalents                                                                                                      |                 | (7,696)                                             |                                             | -        |      | (7,696)                     |
| Cash and cash equivalents, beginning of year                                                                                                         |                 | 117,038                                             |                                             | -        |      | 117,038                     |
| Cash and cash equivalents, end of year                                                                                                               | \$              | 109,342                                             | \$                                          | _        | \$   | 109,342                     |



## NOTES TO FINANCIAL STATEMENTS

March 31, 2004

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Reese is a general law village. The Village operates on a Council-Manager form of government and provides services to approximately 1,488 citizens.

The accounting policies of the Village of Reese conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies:

#### REPORTING ENTITY

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Village and its component units. The component units discussed below are included in the Village's reporting entity because of the significance of their operational or financial relationship with the Village.

Discretely Presented Component Units - None.

**Blended Component Unit** - The Village of Reese Building Authority has been shown in the financial statements using the blended presentation method because the Building Authority serves only as a financing source for capital projects benefiting the Village's operations.

The Village also participates as part of a joint venture—the Blumfield-Reese Water Authority. The purpose of this Authority is to provide the operation of a water supply system in Blumfield Township and the Village of Reese.

#### **BASIS OF PRESENTATION**

The financial activities of the local unit are recorded in separate funds, account groups, and component units, categorized and described as follows:

#### **GOVERNMENTAL FUNDS:**

General Fund: The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

**Special Revenue Funds:** These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

#### PROPRIETARY FUND:

Enterprise Fund: Enterprise funds report operations that provide services which are financed primarily by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control, or other purposes. The Village has one Enterprise (Server) Fund.

March 31, 2004

#### FIDUCIARY FUND:

**Pension Trust Fund:** The Pension Trust Fund is used to account for assets held in trust under the pension plan.

#### **BASIS OF ACCOUNTING**

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Significant revenues susceptible to accrual include taxpayer-assessed income, sales taxes, state and federal sources, and intergovernmental revenues.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred provided the liability normally would be liquidated with expendable available financial resources. The major exception to this general rule is principal and interest on general long-term debt which is generally recognized when due.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus. This means that generally only current assets and current liabilities are included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

All proprietary funds are accounted for on a cost of services or "economic resources" measurement focus. This means that all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total assets.

March 31, 2004

#### PROPERTY TAXES

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 15 with the final collection date of March 1 before they are added to the county tax rolls. The Village 2003 tax roll millage rate and the taxable value were as follows:

| MILLAGE RATES:     |      | TAXABLE PROPERTY | VALUES:       |
|--------------------|------|------------------|---------------|
| General operations | 10.5 | Tuscola County:  |               |
| Sidewalks          | .5   | Regular taxable  | \$ 20,993,397 |
| Fire apparatus     | 1.0  | IFT'S            | 331,900       |
|                    | 12.0 | Saginaw County:  |               |
|                    |      | Regular taxable  | 117,028       |

#### FIXED ASSETS AND DEPRECIATION

Fixed assets in the Sewer Fund are depreciated using the straight-line method over the estimated useful lives of the assets. Additions, improvements, and major replacements are capitalized at cost. Maintenance, repairs, and minor replacements are charged to expense as incurred.

Purchases of fixed assets for all other funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles. No depreciation has been provided on the general fixed assets.

## INVESTMENTS AND CASH AND EQUIVALENTS

Investments, if any, are stated at fair value.

All short-term investments that are highly liquid and have an original maturity of three months or less are considered to be cash equivalents.

#### **INVENTORIES**

Inventories of supplies are considered to be immaterial and are not recorded.

March 31, 2004

#### **RECEIVABLES**

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amounts would be immaterial.

## **BUDGETS AND BUDGETARY ACCOUNTING**

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

- 1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
- 2. The proposed budgets include expenditures as well as the methods of financing them.
- 3. Public hearings are held to obtain taxpayer comments.
- 4. The budgets are adopted by majority vote of the Village Council.
- 5. The budgets are adopted on the modified accrual basis of accounting.
- 6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.
- 7. The adopted budgets are used as a management control device during the year for all budgetary funds.
- 8. Budget appropriations lapse at the end of each fiscal year.
- 9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

#### **ENCUMBRANCES**

Encumbrances involving the current recognition of purchase orders, contracts, and other commitments for future expenditures are not recorded.

#### ACCUMULATED UNPAID BENEFITS

Employees are not allowed to accumulate vacation and sick pay and therefore, no amount has been shown in the General Long-Term Debt Group of Accounts in accordance with Governmental Accounting Standards Board's Statement No. 16 "Accounting for Compensated Absences."

March 31, 2004

# NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Village's deposits and investments at March 31, 2004 are included on the balance sheet under the following classifications:

|                                                              | BALANCE SHEET CLASSIFICATION |                  |    |            |    |         |  |
|--------------------------------------------------------------|------------------------------|------------------|----|------------|----|---------|--|
|                                                              |                              | Cash<br>and Cash |    |            |    |         |  |
|                                                              | $\underline{E}$              | quivalents       | In | ivestments |    | Total   |  |
| Deposits - Bank                                              | \$                           | 105,198          | \$ | _          | \$ | 105,198 |  |
| Investments held by Bank Investments held by Mutual Fund for |                              | -                |    | 665,000    |    | 665,000 |  |
| Pension Plan                                                 |                              | -                |    | 144,360    |    | 144,360 |  |
| Total                                                        | \$                           | 105,198          | \$ | 809,360    | \$ | 914,558 |  |

#### **DEPOSITS**

The carrying amount of the Village's deposits was \$105,198 with a corresponding bank balance of \$111,638. Of that amount \$111,638 was covered by federal depository insurance and \$0 was uninsured and uncollateralized. The laws of the State of Michigan do not provide for collateralization of bank deposits. As a result, the Village evaluates each financial institution it deposits Village funds with and assesses the level or risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The Village's deposits are in accordance with statutory authority.

#### **INVESTMENTS**

The Village's investments are in accordance with statutory authority.

Michigan statutes authorize the Village to invest in the following types of investments:

- Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States. This subdivision shall include securities used or guaranteed by the Government National Mortgage Association.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank or a savings and loan association which is a member of the Federal Deposit Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Sections 5 and 6 of Act 105 of the Public Acts of 1855, as amended.
- Commercial paper rated at the time of purchase within the highest classification established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.

March 31, 2004

- United States Government or Federal Agency Obligation Repurchase Agreements.
- Bankers' acceptances of United States Banks.
- Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Village's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Township's name. The investments also include mutual funds and a deferred compensation plan that are not assigned a risk category because they are not evidenced by securities that exist in physical or book entry form.

|                                            | Category |   |    |      |   | Carrying      |  |
|--------------------------------------------|----------|---|----|------|---|---------------|--|
|                                            |          | 1 |    | 2    | 3 | <u>Amount</u> |  |
| Investments - categorized                  | \$       | - | \$ | - \$ | - | \$<br>_       |  |
| Investments not subject to categorization: |          |   |    |      |   |               |  |
| National City - municipal investment funds |          | - |    | -    | - | 665,000       |  |
| Mutual Fund investments in pension funds   |          | - |    | -    | - | 144,360       |  |
|                                            | \$       | _ | \$ | - \$ | - | \$<br>809,360 |  |
|                                            |          |   |    |      |   | <br>          |  |

# NOTE 3: INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are as follows:

| Interfund<br>Fund | Receivable       | Fund                    | Interfund<br>Payable |
|-------------------|------------------|-------------------------|----------------------|
| General           | \$ 2,943         | Sewer                   | \$1,953              |
| Major Street      | 2,784            | Local Street            | 3,029                |
| Sewer             | 5,293            | Major Street<br>General | 745<br>5,293         |
|                   | <u>\$ 11,020</u> |                         | \$ 11,020            |

March 31, 2004

| NOTE 4    | 4: | FIXED         | <b>ASSETS</b> |
|-----------|----|---------------|---------------|
| . 10 11 - | т. | 1 12 12 12 12 |               |

A summary of changes in general fixed assets follows:

|                            | <br>Balance<br>4/1/03 | A  | dditions | De | letions | Balance<br>3/31/04 |
|----------------------------|-----------------------|----|----------|----|---------|--------------------|
| Land and land improvements | \$<br>349,126         | \$ | -        | \$ | -       | \$<br>349,126      |
| Buildings<br>Vehicles      | 571,306               |    | -        |    | -       | 571,306            |
|                            | 649,711               |    | -        |    | -       | 649,711            |
| Equipment                  | <br>377,133           |    | 5,802    |    | 100     | 382,835            |
| Totals                     | \$<br>1,947,276       | \$ | 5,802    | \$ | 100     | \$<br>1,952,978    |

A summary of proprietary fund type property, plant and equipment at March 31, 2004 follows:

| Total cost                    | \$<br>1,485,671 |
|-------------------------------|-----------------|
| Less accumulated depreciation | <br>(861,519)   |
| Net Carrying Amount           | \$<br>624,152   |

## NOTE 5: LONG-TERM DEBT

Long-term debt consisted of the following:

|                                                                                                                                                                                                                                                                                           | Balance<br>pril 1, 2003 | Addition |   | Redu | ction | Balance<br>h 31, 2004 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|----------|---|------|-------|-----------------------|
| General Long-Term Debt Group:                                                                                                                                                                                                                                                             |                         |          |   |      |       | <br>                  |
| General Obligation Bonds of the Reese Building Authority issued for \$175,000, April 1, 1996 for fire station buildings. Principal and interest of approximately 5.50% is due in semi-annual installments on June 1 and December 1 (interest only). Principal payments range from \$5,000 |                         |          |   |      |       |                       |
| to \$15,000 per year                                                                                                                                                                                                                                                                      | \$<br>145.000           | \$       | _ | \$   | 5 000 | \$<br>140 000         |

# VILLAGE OF REESE

# NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

|                                                                                                                                                                                 | <u> </u> | Balance<br>pril 1, 2003 |    | Addition | <br>Reduction | Mar | Balance<br>ch 31, 2004 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-------------------------|----|----------|---------------|-----|------------------------|
| Installment purchase agreement dated March 1, 2000 for \$30,600 for purchase of DPW truck, payable in annual payments of \$4,371 plus interest at the rate of 5.35%             |          | 7,737                   |    | -        | 4,371         |     | 3,366                  |
| Capital lease agreement dated June 11, 2001 for \$21,417 for lease of 2001 Crown Victoria (police car) payable in annual payments of \$7,139 plus interest at the rate of 7.32% |          | 7,127                   |    | -        | 7,127         |     | -                      |
| Note payable dated October 26, 2001 for \$99,596 for purchase of Fire Truck chassis payable in six annual payments of \$19,061, including interest at the rate of 4.10%         |          | 83,564                  |    | _        | 15,608        |     | 67.056                 |
| Auto 61 (1107)                                                                                                                                                                  | <u> </u> |                         | Φ. |          | <br>·         |     | 67,956                 |
|                                                                                                                                                                                 | \$       | 243,428                 | \$ | _        | \$<br>32,106  | \$  | 211,322                |

The annual requirements to pay all general long-term debt outstanding at March 31, 2004, including interest payments of \$63,816 are as follows:

| Fiscal Year<br>March 31, | Annual<br>Requirement |         |  |  |  |
|--------------------------|-----------------------|---------|--|--|--|
| 2005                     | \$                    | 35,105  |  |  |  |
| 2006                     |                       | 36,150  |  |  |  |
| 2007                     |                       | 35,605  |  |  |  |
| 2008                     |                       | 35,059  |  |  |  |
| 2009                     |                       | 15,452  |  |  |  |
| 2010 and thereafter      |                       | 117,767 |  |  |  |
|                          | \$                    | 275,138 |  |  |  |
|                          | -                     |         |  |  |  |

March 31, 2004

### NOTE 6: WATER AUTHORITY

The Village of Reese participates in the operation of the Blumfield-Reese Water Authority with Blumfield Township. The Water Authority operates with a separate treasurer. Upon organization, the Water Authority issued \$1,000,000 of bonds dated October 1, 1968 for the purpose of constructing certain storage, transmission and distribution facilities to provide a supply of filtered water from the City of Saginaw to the respective municipalities. The bonds are secured by the full faith and credit pledges of the respective municipalities on an equal basis.

Separate financial statements for the Water Authority are available as follows:

Blumfield-Reese Water Authority 12810 East Washington Reese, Michigan 48757

## NOTE 7: FIRE AGREEMENT

In March, 2000, the Village of Reese and Blumfield Township entered into an operating agreement for the purpose of establishing a fire protection system. The expenses related to this agreement are to be shared by the Village and the Township as designated by the agreement. This agreement shall continue in effect for three years and will automatically renew for successive one year periods.

The Village's costs related to this fire agreement are accounted for in the Fire Special Revenue Fund.

#### NOTE 8: PENSION PLAN

The Village provides pension benefits for all of its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after 1/2 year of service from the date of employment. Annual contributions to the plan are 10% of the annual earnings, excluding overtime and other extraordinary compensation, of the eligible, participating employees. The Village's contributions for each employee (and interest allocated to the employee's account) are fully vested after three years' continuous service. Voluntary employee contributions are not permitted under the terms of the plan.

The Village contribution, for the year which was paid during the year was \$19,076.

The plan holds no security of the employer or any related party.

March 31, 2004

# NOTE 9: SEWER FUND DEFICIT IN RETAINED EARNINGS

As of March 31, 2004 the Sewer Fund had a deficit in retained earnings of \$214,546.

## NOTE 10: POST-EMPLOYMENT BENEFITS

The Village provides no post-employment benefits to retirees.

#### NOTE 11: RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village is a member of the Michigan Municipal League sponsored self insurance/public entity risk pools. The Village pays annual premiums to the respective pools for general liability, auto, and workers compensation insurance coverage. The agreements for the formation of the Michigan Municipal General and Auto Liability Fund and the Michigan Municipal Workers Compensation Fund provide that the pools will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of limitations imposed by the pool. The Michigan Municipal General and Auto Liability Fund provides coverage of claims up to \$2 million per occurrence with reinsurance provided to cover amounts in excess of this limit. The Michigan Municipal Workers Compensation Fund provides coverage of claims up to \$500,000 per occurrence with reinsurance provided to cover amounts in excess of this limit.

The Michigan Municipal General and Auto Liability Fund and the Michigan Municipal Workers Compensation Fund have published their own financial reports which can be obtained by contacting the management of each pool.

Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

#### **NOTE 12: TOTAL - MEMORANDUM ONLY**

The general purpose financial statements present total columns for the year ended March 31, 2004, which aggregate the columnar statements by fund type, account group, and component unit. These columns are presented only for comparative purposes and should not be construed as presenting consolidated financial information.

# VILLAGE OF REESE

# NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

# NOTE 13: DESIGNATED FUND BALANCE

Fund balances have been designated as follows:

| -  | SPECIAL<br>REVENUE<br>FUNDS<br>Fire<br>Special<br>Fund |
|----|--------------------------------------------------------|
| \$ | 9,239                                                  |
| \$ | 9,239                                                  |

Fire special equipment/expenses/apparatus

Total designated fund balance

# NOTE 14: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeting expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for the General Fund was adopted to the activity level. Approved budgets for other budgetary funds were adopted to the fund level.

During the year ended March 31, 2004 the Village incurred no expenditures which were in excess of amounts appropriated.

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# STATEMENT OF REVENUES AND OTHER FINANCING SOURCES

For the Year Ended March 31, 2004

| REVENUES:                            |            |
|--------------------------------------|------------|
| Current Taxes:                       |            |
| Property taxes                       | \$ 222,134 |
| Trailer tax                          | 694        |
| Penalties and interest on taxes      | 332        |
| Property tax administration fee      | 2,592      |
|                                      | 225,752    |
| State Grants:                        |            |
| Liquor license fees                  | 1,210      |
| State revenue sharing                | 149,624    |
| Police grant                         | 500        |
|                                      | 151,334    |
| Charges for Services:                |            |
| Refuse collection fees               | 102,464    |
| Recreation fees                      | 395        |
| Police reports/services              | 1,887      |
| Charges to other funds/departments   | 19,172     |
|                                      | 123,918    |
| Fines and Forfeitures:               |            |
| Ordinance fines                      | 406        |
|                                      | 406        |
| Interest and Rents:                  |            |
| Interest earned                      | 2,597      |
| Rents                                | 44,186     |
|                                      | 46,783     |
| Other Revenue:                       |            |
| Sale of assets                       | 100        |
| Reimbursements                       | 11,233     |
| Miscellaneous/other                  | 434        |
|                                      | 11,767     |
| Total revenues                       | 559,960    |
| Transfers from other funds           | 4,328      |
|                                      | 4,328      |
| Total revenues and financing sources | \$ 564,288 |

# STATEMENT OF EXPENDITURES AND OTHER FINANCING USES

For the Year Ended March 31, 2004

## **EXPENDITURES:**

| vernment: |
|-----------|
|           |

| Council:                  |          |
|---------------------------|----------|
| Personnel                 | \$ 3,685 |
| Fringe benefits           | 452      |
| Insurance                 | 195      |
| Other                     | 2,364    |
|                           | 6,696    |
| Manager:                  |          |
| Personnel                 | 46,409   |
| Fringe benefits           | 17,556   |
| Supplies                  | 83       |
| Telephone                 | 507      |
| Dues and memberships      | 462      |
| Insurance                 | 207      |
| Other                     | 729      |
| Clerk:                    | 65,953   |
| Personnel                 | 26,944   |
| Fringe benefits           | 4,986    |
| Supplies                  | 1,639    |
| Contracted services       | 965      |
| Telephone                 | 1,226    |
| Dues and memberships      | 1,182    |
| Printing and publications | 1,661    |
| Insurance                 | 12       |
| Repairs and maintenance   | 1,130    |
| Other                     | 1,763    |
|                           | 41,508   |
| Audit:                    | 11,300   |
| Contracted services       | 3,692    |
|                           | 3,692    |
| Treasurer:                |          |
| Personnel                 | 2,500    |
| Fringe benefits           | 191      |
| Supplies                  | 539      |
| Contracted services       | 595      |
| Other                     | 108      |
|                           | 3,933    |
|                           |          |

# STATEMENT OF EXPENDITURES AND OTHER FINANCING USES, continued

For the Year Ended March 31, 2004

## **EXPENDITURES**, continued

| General Government, continued: |         |
|--------------------------------|---------|
| Elections:                     |         |
| Personnel                      | 425     |
| Printing and publications      | 492     |
| Other                          | (97)    |
|                                | 820     |
| Building and Grounds:          |         |
| Personnel                      | 2,024   |
| Fringe benefits                | 145     |
| Supplies Contracted against    | 224     |
| Contracted services Insurance  | 942     |
| Utilities                      | 487     |
|                                | 4,111   |
| Repairs and maintenance        | 3,706   |
| Rental – equipment             | 1,273   |
|                                | 12,912  |
| Attorney:                      |         |
| Contracted services            | 5,205   |
|                                | 5,205   |
| Total general government       | 140,719 |
| Public Safety:                 |         |
| Police:                        |         |
| Personnel                      | 80,197  |
| Fringe benefits                | 31,166  |
| Supplies                       | 4,137   |
| Contracted services            | 1,055   |
| Telephone                      | 1,362   |
| Education and training         | 752     |
| Insurance                      | 1,495   |
| Repairs and maintenance        | 2,606   |
| Other                          | 1,182   |
|                                | 123,952 |
| Total public safety            | 123,952 |

# STATEMENT OF EXPENDITURES AND OTHER FINANCING USES, continued

For the Year Ended March 31, 2004

## **EXPENDITURES**, continued:

| Public Works:                            |         |
|------------------------------------------|---------|
| Department of Public Works:              |         |
| Personnel                                | 18,384  |
| Fringe benefits                          | 27,992  |
| Supplies                                 | 4,844   |
| Contracted services                      | 825     |
| Telephone                                | 1,024   |
| Insurance                                | 1,872   |
| Utilities                                | 2,599   |
| Repairs and maintenance                  | 4,777   |
| Other                                    | 378     |
| Carried T. Lat                           | 62,695  |
| Street Lighting: Utilities               |         |
| Unintes                                  | 30,956  |
|                                          | 30,956  |
| Sanitation:                              |         |
| Personnel                                | 4,393   |
| Fringe benefits                          | 495     |
| Contracted services                      | 82,728  |
| Rental – equipment Other                 | 8,171   |
| Other                                    | 105     |
|                                          | 95,892  |
| Total public works                       | 189,543 |
| Community and Economic Development:      |         |
| Planning and Zoning:                     |         |
| Personnel                                | 550     |
| Fringe benefits                          | 42      |
| Supplies                                 | 1,200   |
| Contracted services                      | 2,418   |
|                                          | 4,210   |
| Economic and Industrial Development:     |         |
| Contracted services                      | 1,000   |
|                                          | 1,000   |
|                                          |         |
| Total community and economic development | 5,210   |

# STATEMENT OF EXPENDITURES AND OTHER FINANCING USES, continued

For the Year Ended March 31, 2004

### **EXPENDITURES**, continued:

| Recreation and Culture:      |       |
|------------------------------|-------|
| Parks and Recreation:        |       |
| Personnel                    | 721   |
| Fringe benefits              | 44    |
| Supplies                     | 56    |
| Contracted services          | 513   |
| Insurance                    | 35    |
| Utilities                    | 256   |
| Repairs and maintenance      | 108   |
| Rental – equipment           | 1,415 |
|                              | 3,148 |
| Library:                     |       |
| Contracted services          | 6,000 |
|                              | 6,000 |
| Total recreation and culture | 9,148 |
| Other:                       |       |
| Insurance and Bonds:         |       |
| Insurance                    | 2,476 |
|                              | 2,476 |
| Total other                  | 2,476 |
| Capital Outlay               |       |
| General Government:          |       |
| Board/Council                | 274   |
| Clerk                        | 300   |
| Treasurer                    | 97    |
|                              | 671   |
| Public Works:                |       |
| Department of Public Works   | 394   |
|                              | 394   |
| Total capital outlay         | 1,065 |

# STATEMENT OF EXPENDITURES AND OTHER FINANCING USES, continued

For the Year Ended March 31, 2004

## **EXPENDITURES**, continued:

| •                  |     | ~   | •     |
|--------------------|-----|-----|-------|
| 110                | זמי | Nor | vice: |
| $\boldsymbol{\nu}$ | -   | DC. | rice. |

| Principal Interest and fees | 16,498<br>8,987 |
|-----------------------------|-----------------|
|                             | 25,485          |
| Total expenditures          | 497,598         |

### OTHER FINANCING USES:

| Transfers to other funds                    | <br>27,500    |
|---------------------------------------------|---------------|
| Total other financing uses                  | <br>27,500    |
| Total expenditures and other financing uses | \$<br>525,098 |

| _        |                       |
|----------|-----------------------|
| -        |                       |
| -        |                       |
|          |                       |
| _        |                       |
| _        |                       |
| <b>-</b> | SPECIAL REVENUE FUNDS |
| -        |                       |
| _        |                       |
| _        |                       |
| _        |                       |
| _        |                       |
| -        |                       |
| -        |                       |
| -        |                       |
| -        |                       |
| •        |                       |
| -        |                       |
| -        |                       |

# SPECIAL REVENUE FUNDS

# **COMBINING BALANCE SHEET**

March 31, 2004

|                                                                                | <br>Major Local<br>Street Street<br>Fund Fund |    | Fire<br>Department<br>Fund |    | Fire<br>Special<br>Fund |    | Parks<br>and<br>Recreation<br>Fund |    |            |
|--------------------------------------------------------------------------------|-----------------------------------------------|----|----------------------------|----|-------------------------|----|------------------------------------|----|------------|
| ASSETS:                                                                        |                                               |    |                            |    |                         |    |                                    |    |            |
| Cash and equivalents Taxes receivable                                          | \$<br>142,188                                 | \$ | 69,540                     | \$ | 11,711                  | \$ | 8,451<br>788                       | \$ | 6,620      |
| Due from other governmental units Due from other funds                         | 15,761<br>2,784                               |    | 5,179<br>-                 |    | -                       |    | -                                  |    | -          |
| Total assets                                                                   | \$<br>160,733                                 | \$ | 74,719                     | \$ | 11,711                  | \$ | 9,239                              | \$ | 6,620      |
| LIABILITIES AND FUND EQUITY:  Liabilities: Accounts payable Due to other funds | \$<br><br>1,930<br>745                        | \$ | 3,029                      | \$ | 616                     | \$ | -                                  | \$ | 6          |
| Total liabilities                                                              | <br>2,675                                     |    | 3,029                      |    | 616                     |    | _                                  |    | 6          |
| Fund Equity: Fund Balance: Unreserved – Undesignated Unreserved – Designated   | 158,058                                       |    | 71,690                     |    | 11,095                  |    | 9,239                              |    | 6,614<br>- |
| Total fund equity                                                              | <br>158,058                                   |    | 71,690                     |    | 11,095                  |    | 9,239                              |    | 6,614      |
| Total liabilities and fund equity                                              | \$<br>160,733                                 | \$ | 74,719                     | \$ | 11,711                  | \$ | 9,239                              | \$ | 6,620      |

| 125               | Sidewalk |                    |                        |
|-------------------|----------|--------------------|------------------------|
| niversary<br>Fund | Co       | nstruction<br>Fund | Totals                 |
|                   |          |                    | 10000                  |
| \$<br>1,640       | \$       | 9,903<br>791       | \$<br>250,053<br>1,579 |
| -                 |          | -                  | 20,940<br>2,784        |
| \$<br>1,640       | \$       | 10,694             | \$<br>275,356          |
| \$<br>-<br>-      | \$       | -<br>-             | \$<br>2,552<br>3,774   |
| <br>-             |          | -                  | <br>6,326              |
| <br>1,640         |          | 10,694<br>-        | 259,791<br>9,239       |
| 1,640             |          | 10,694             | <br>269,030            |
| \$<br>1,640       | \$       | 10,694             | \$<br>275,356          |

Park

### SPECIAL REVENUE FUNDS

# COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended March 31, 2004

| REVENUES:                                                                                         |    | Major<br>Street<br>Fund |    | Local<br>Street<br>Fund | Fire<br>Department<br>Fund |    | Fire<br>Special<br>Fund | Parks<br>and<br>Recreation<br>Fund |
|---------------------------------------------------------------------------------------------------|----|-------------------------|----|-------------------------|----------------------------|----|-------------------------|------------------------------------|
| Property taxes                                                                                    | \$ | _                       | \$ | _                       | \$ -                       | \$ | 21,934                  | <b>e</b> _                         |
| Intergovernmental:                                                                                | Ψ  | _                       | Ψ  | -                       | ъ -                        | Φ  | 21,734                  | J -                                |
| State grants                                                                                      |    | 84,169                  |    | 27,295                  | -                          |    | •                       | -                                  |
| Contributions from local units                                                                    |    | 19,852                  |    | 9,890                   | 20,520                     |    | -                       | 13,600                             |
| Charges for services                                                                              |    | -                       |    |                         | 13,800                     |    | -                       | -                                  |
| Interest and rentals                                                                              |    | 846<br>175              |    | 456                     | 90                         |    | 33                      | 30                                 |
| Other revenue                                                                                     |    |                         |    | 81                      | (422)                      | )  | 2,319                   | 689                                |
| Total revenues                                                                                    |    | 105,042                 |    | 37,722                  | 33,988                     |    | 24,286                  | 14,319                             |
| EXPENDITURES:                                                                                     |    |                         |    |                         |                            |    |                         |                                    |
| Public safety                                                                                     |    | _                       |    | -                       | 32,575                     |    | 15,402                  | _                                  |
| Public works                                                                                      |    | 67,762                  |    | 34,555                  | · -                        |    | ´ <b>-</b>              | -                                  |
| Recreation and culture                                                                            |    | -                       |    | -                       | -                          |    | -                       | 24,369                             |
| Capital outlay                                                                                    |    | -                       |    | -                       | 5,405                      |    | -                       | -                                  |
| Debt Service:                                                                                     |    |                         |    |                         |                            |    | 4 - 400                 |                                    |
| Principal                                                                                         |    | -                       |    | -                       | -                          |    | 15,608                  | -                                  |
| Interest                                                                                          |    | <del></del>             |    |                         | -                          |    | 3,453                   | -                                  |
| Total expenditures                                                                                |    | 67,762                  |    | 34,555                  | 37,980                     |    | 34,463                  | 24,369                             |
| Excess of revenues over (under) expenditures                                                      |    | 37,280                  |    | 3,167                   | (3,992)                    |    | (10,177)                | (10,050)                           |
| OTHER FINANCING<br>SOURCES (USES):                                                                |    |                         |    |                         |                            |    |                         |                                    |
| Transfers from other funds                                                                        |    | 1,321                   |    | -                       | 21,500                     |    | 10,500                  | 8,907                              |
| Transfers to other funds                                                                          |    | (2,907)                 |    | (1,321)                 | (14,828)                   |    | · -                     | -                                  |
| Total other financing sources (uses)                                                              |    | (1,586)                 |    | (1,321)                 | 6,672                      |    | 10,500                  | 8,907                              |
| Excess of revenues and other financing sources over (under) expenditures and other financing uses |    | 35,694                  |    | 1,846                   | 2,680                      |    | 323                     | (1,143)                            |
|                                                                                                   |    | •                       |    |                         | •                          |    |                         |                                    |
| Fund balances, beginning of year                                                                  |    | 122,364                 |    | 69,844                  | 8,415                      |    | 8,916                   | 7,757                              |
| Fund balances, end of year                                                                        | \$ | 158,058                 | \$ | 71,690                  | \$ 11,095                  | \$ | 9,239                   | \$ 6,614                           |

| 12.        |          | ,                       | Sidewalk |        |          |  |
|------------|----------|-------------------------|----------|--------|----------|--|
| Annivo     |          |                         | nachan   |        |          |  |
| 71/1/11/10 | rsary    | nniversary Construction |          |        |          |  |
| Fund       |          |                         | Fund     | Totals |          |  |
| _          |          | _                       |          | _      |          |  |
| \$         | -        | \$                      | 22,008   | \$     | 43,942   |  |
|            | -        |                         | -        |        | 111,464  |  |
|            | -        |                         | -        |        | 63,862   |  |
|            | 2        |                         | -        |        | 13,800   |  |
|            | 2        |                         | 32       |        | 1,489    |  |
|            | <u>-</u> |                         | 25       |        | 2,867    |  |
|            | 2        |                         | 22,065   |        | 237,424  |  |
|            |          |                         |          |        |          |  |
|            | _        |                         | _        |        | 47,977   |  |
|            | _        |                         | 12,318   |        | 114,635  |  |
|            | _        |                         | ,        |        | 24,369   |  |
|            | -        |                         | -        |        | 5,405    |  |
|            | _        |                         | _        |        | 15,608   |  |
|            | -        |                         | -        |        | 3,453    |  |
|            | -        |                         | 12,318   |        | 211,447  |  |
|            |          | ,                       |          |        |          |  |
|            | 2        |                         | 9,747    |        | 25,977   |  |
|            |          |                         |          |        |          |  |
|            | _        |                         | -        |        | 42,228   |  |
|            | -        |                         | -        |        | (19,056) |  |
|            | _        |                         | •        | •      | 23,172   |  |
|            |          |                         |          | •      |          |  |
|            | 2        |                         | 9,747    |        | 49,149   |  |
| 1          | ,638     |                         | 947      |        | 219,881  |  |
| § 1        | ,640     | \$                      | 10,694   | \$     | 269,030  |  |



60 Harrow Lane Saginaw, Michigan 48603

(989) 791-1555 Fax (989) 791-1992

#### MANAGEMENT LETTER

Village Council Village of Reese Reese, Michigan

We have completed our examination of the financial statements of the Village of Reese for the year ended March 31, 2004, and have issued our report thereon dated June 2, 2004. As part of our examination, we made a study and evaluation of the Village's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Village's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Village's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Village of Reese taken as a whole. Our study and evaluation disclosed conditions that we believe to be a material weaknesses as follows:

#### CASH/ACCOUNT RECEIVABLE RECONCILIATIONS

During previous audits, as you know, we had noted problems with the reconciliation of the cash and sewer receivable balances. During the current audit we found much improvement in this area. We did, however, this year still find some unreconciled balances. For example, the general fund cash account 101-000-014 was understated on the books by about \$7,000. This difference approximately offset a \$7,500 over-stated cash book balance in the sewer account 590-000-014. Also we found that accounts receivable balances carried in the general ledger for sewer and garbage did not agree with the subsidiary records.

It appears that part of the reason for these reconciliation problems is due to the bookkeeping complexity involved in recording the utility payments received directly at the credit union. Apparently the Village has sometimes not been provided with complete information from the credit

#### CASH ACCOUNT RECONCILIATIONS, continued

union about the payments receipted there. The credit union collections involve both general fund and sewer fund monies. It appears sometimes the transfer and recording of these transactions into the correct fund is not being completed correctly.

We recommend that all of the general ledger cash and accounts receivable account balances be properly reconciled to subsidiary records or bank balances promptly at the end of each month.

We also recommend that the process of recording the credit union collection transactions be improved. The Village should consider whether the receipting of utility bills at the credit union is necessary in light of the apparent extra reconciliation problems involved.

#### TAXES, TAX RECEIVABLE, AND SPECIAL ASSESSMENT RECEIVABLES

At various times the Village records receivables in the general ledger for property taxes, delinquent property taxes, and delinquent utility bills/special assessments. The initial transactions are usually correct based on related tax assessment activity.

We have found, however, that these account receivable balances, once placed on the books, are not always being correctly maintained and reconciled as needed. For example, subsequent collections of the receivables are sometimes credited directly to a revenue account instead of the receivable account as required.

We recommend that these types of accounts receivable balances and related transactions also be carefully controlled/reconciled.

In place of the current bookkeeping process in this area the Village should consider using a "cash basis" method for the recording of these type transactions during the fiscal year. Delinquent taxes and special assessment receivables, then, should only be recorded and adjusted at year end. This method should result in less bookkeeping work needed to straighten out various transactions that might have been incorrectly recorded.

This report is intended solely for the use of the Village's management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Berthiaume & Company

Certified Public Accountants

Berchiaume & Co.

June 2, 2004

